

San Bernardino Associated Governments Request for Proposals No. 07-181 for Professional Auditing Services

This Request for Proposal (RFP) describes San Bernardino Associated Governments (SANBAG) need for professional auditing services. It is organized into the following sections:

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- II. Purpose of the Request
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I. Introduction

A. General Information

San Bernardino Associated Governments is the council of governments and transportation planning agency governed by the mayors of twenty-four cities and the five San Bernardino County Supervisors. SANBAG serves the 1.9 million residents of San Bernardino County. Membership includes the County of San Bernardino and all cities within the County: Adelanto, Barstow, Big Bear Lake, Chino, Chino Hills, Colton, Fontana, Grand Terrace, Hesperia, Highland, Loma Linda, Montclair, Needles, Ontario, Rancho Cucamonga, Redlands, Rialto, San Bernardino, Twentynine Palms, Upland, Victorville, Yucaipa, and the Towns of Apple Valley and Yucca Valley.

Since its creation as a council of governments in 1973, SANBAG has been designated to serve as several additional authorities, created primarily by statute, which are all organized under the umbrella of the council of governments. These authorities are listed below:

- As the **County Transportation Commission**, SANBAG is responsible for short and long range transportation planning within San Bernardino County, including coordination and approval of all public mass transit service, approval of all capital projects for mass transit and highway projects, and determination of staging such projects in the Transportation Improvement Program. As the designated transportation planning agency for San Bernardino County, SANBAG administers Local Transportation and State Transit Assistance Funds.

- As the **Service Authority for Freeway Emergencies**, SANBAG operates a system of approximately 1,600 call boxes on state freeways and highways within San Bernardino County.
- As the **County Transportation Authority**, SANBAG is responsible for the administration of the voter-approved half cent transportation transactions and use tax which will raise over \$1.8 billion through 2010 for funding of major freeway construction, commuter rail service, local street and road improvements, special transit service for the elderly and disabled population, and traffic management and environmental enhancement efforts.
- As the **Congestion Management Agency**, SANBAG monitors the performance level of the regional transportation system in a manner which ensures consideration of the impacts of new development on the system and promotes air quality through implementation of strategies in the adopted air quality plans.
- As a **Sub-regional Planning Agency**, SANBAG represents the San Bernardino County area with the Southern California Association of Governments in carrying out its functions as the metropolitan planning organization. SANBAG performs studies and develops consensus relative to input into regional growth forecasts, regional transportation plans, and mobile source components of the air quality plans.

II. Purpose of the Request

A. General Statement

San Bernardino Associated Governments (SANBAG) is requesting proposals from qualified firms of certified public accountants to audit its financial statements for the fiscal year ending June 30, 2007. SANBAG requires an audit of its basic financial statements in accordance with generally accepted accounting principles and the governmental auditing standards as promulgated by the Comptroller General of the United States. Additionally, this audit should include compliance with covenants and related testing as required by the indenture for SANBAG's Sales Tax Revenue Bonds.

B. Term and Conditions

Proposals are requested for a three year period starting with the Fiscal Year ending June 30, 2007. The initial engagement will be for a three (3) year period. In addition, SANBAG shall have the option to extend the engagement for up to two (2) additional years, one year at a time. The option years shall be exercised by written amendments executed by the parties. After the initial year, the engagement shall be renewed, on a year-to-year basis, at a mutually acceptable fee. Such renewal engagement shall be confirmed in writing.

Responses to this RFP become the exclusive property of SANBAG. At such time as

firms are selected and their names made public, all proposals submitted shall be regarded as public records.

The Agency considers its relationship with its independent auditor to be a professional one. Although this is a formal selection process, the Agency reserves the right to decline acceptance of any and all proposals, to negotiate engagement conditions with the selected firm and to waive provisions of the RFP at its sole discretion.

C. Subcontracting

No Subcontracting will be allowed without prior written consent from SANBAG.

III. Evaluation Process

A. General Description

Firms are requested to respond to this solicitation in the manner more fully described in Section VI below.

Authority and local Agency staff will review and evaluate the responses received against the evaluation criteria listed below.

The proposals will be reviewed and selected firms will be short listed, interviewed and the final recommendation will be presented to the Administrative Committee and approved by the Board of Directors.

B. Evaluation Criteria

1. Qualification and experience of the firm. This will be evaluated based on the breadth and depth of the firm's experience as a whole in the performance of comparable audit assignments.
2. Qualification and experience of the individuals assigned to perform the work. This will be based on the resumes of the individuals who will actually oversee and perform the work, especially those senior staff committed to participation in the work.
3. Organization of the work and management plan. This will be based on the proposed approach to organizing, managing, and implementing the necessary tasks and the ability of the firm to complete the assignment by December 20 of each year.
4. Demonstrated understanding of the Agency's needs and proposed method of approach. This will be based on the preliminary description of the proposed

approach to providing the required scope of services. This will give credit to firms who demonstrate insight, needed emphasis, priority, innovative thinking and ability to function as an integral member of SANBAG's financial management team.

5. References for comparable past work. This will be based on references from several clients where comparable work was performed.
6. Cost. Cost will be a significant factor when other evaluation criteria are relatively equal.
7. Location of firm. SANBAG's local preference policy assigns up to 10% local preference credit if the firm's main office, headquarters, or major regional office is in San Bernardino County.
8. Actual or Potential Conflict of Interest. This will be based on an assessment of the firm's client list and the extent to which the firm may represent related entities whose interest may conflict with SANBAG.

IV. Selection Timetable

The following timetable will apply to this RFP.

<u>Item</u>	<u>Date(s)</u>
Release RFP	02/15/07
Proposals Due - 3:00 p.m.	03/9/07
Determination of Short List	03/13/07 – 03/19/07
Interviews	03/29/07 – 03/30/07
Recommendation to the Administrative Committee	04/11/07
Admin Committee recommendation to the Board of Directors	05/02/07

V. Scope of Services

A. Auditing Standards to be Followed

The audit shall be performed so as to satisfy the audit requirements in accordance with the generally accepted government auditing standards set forth for financial audits in the General Accounting Office's (GAO) Government Auditing Standards (1994), the Single Audit Act of 1984, as amended, and U.S. Office of Management and Budget (OMB) Circular A-133 and OMB's Compliance Supplement titled Uniform Requirements for Grants to State and Local Governments.

The examination shall also include an audit of the County's Local Transportation Fund (LTF) and the State Transit Assistance Fund (STAF) in accordance with California Code of Regulations Section 6661 for LTF and Section 6751 for STAF.

B. Reports to be Issued

Following the completion of the audit of the fiscal year's financial statements, the Auditor shall issue the following reports and letters:

1. Independent Auditor's report on Basic Financial Statements
2. Independent Auditor's Single Audit Report
3. Local Transportation Fund Financial and Compliance Report
4. State Transit Assistance Fund Financial and Compliance Report
5. Report on Applying Agreed Upon Procedures for Appropriations Limit Calculation
6. Audit Committee Letter
7. Management Letter (if required)

C. Additional Considerations

1. It is expected that the firm which is selected shall keep the Agency informed of new state and national developments affecting municipal and local government finance. Additionally, reporting standards and trends including changes in federal/state grant program accounting and reporting requirements shall be communicated to the Agency.
2. SANBAG requires that the auditor's scope of service includes up to 20 hours a year of consulting time. Should SANBAG require additional audits/services outside of the scope listed above, fees will be established at the time such services are determined to be necessary.
3. The auditor shall provide the Chief Financial Officer with periodic progress reports during the course of the field work. These reports shall identify problems encountered or foreseen, deficiencies in work being performed by Agency staff, disagreements over the application of accounting principles and other items which could result in delay of the audit work. The auditors shall observe the adequacy of the systems of internal control, accounting procedures and other significant observations.
4. The auditors should be prepared to attend at least one Administrative Committee meeting and one Board of Directors' meeting to present the reports and respond to any inquiries.

5. After the completion of the audit, the auditors will deliver seventy-five (75) bound copies of the final SANBAG Audit and forty (40) bound copies of the final LTF and STAF audits.

D. Working Paper Retention and Access to Working Papers

All working papers and reports must be retained, at the auditor's expense, for a minimum of three (3) years, unless the firm is notified in writing by SANBAG of the need to extend the retention period. The auditor is required to make working papers available, upon request, to the following parties or their designees:

1. San Bernardino Associated Governments
2. Parties designated by the federal or state government or by SANBAG as part of an audit quality review process
3. Auditors of entities of which SANGAG is a sub-recipient of grant funds
4. In addition, the firm shall respond to the reasonable inquiries of successor auditors and allow successor auditors to review working papers relating to matters of continuing accounting significance.

VI. Format for Proposals

A. General

The cost of preparing, submitting and presenting a proposal is at the sole cost and expense of the offeror.

B. Instructions

1. The offeror should prepare its proposal using the order and designations as presented in the Scope of Proposals below.
2. The offeror shall submit five (5) copies of its proposal to:
Mr. Terrence J. McGuire
Chief Financial Officer
San Bernardino Associated Governments
1170 W. 3rd Street, 2nd Floor
San Bernardino, CA 92410
3. Proposals must be received at the above address no later than 3:00 p.m. on **March 9, 2007**. Faxes, late submissions, or proposal modifications will not be accepted after the closing date.

4. Any inquiries concerning the RFP should be made to Cynthia A. Cordova, Accounting Manager, (909) 884-8276, ext.162.
5. No contacts of any kind shall be made with Board members, their staffs, or SANBAG staff other than as provided above. It is intended that the selection shall be made on merit alone within the process set forth. Violation of this condition shall be cause for immediate rejection of the proposal.

C. Scope of Proposal

You must provide the following information and your proposal should be concise and responsive. It should be no longer than 30 pages in length.

1. Title Page

Show the Request for Proposal subject, the name of your firm, local address and telephone number, name of contact person and date of the proposal.

2. Table of Contents

Clearly identify the material by section and page number.

3. Letter of Transmittal - Limit to one or two pages

- a. Briefly state your firm's understanding of the work to be done; including any segregation of audit work to be performed, a comment on the firm's ability to make a commitment to perform the work in a timely manner and a statement as to why the firm believes to be best qualified to perform the engagement.
- b. Give the names of the persons who will be authorized to make representations for your firm, their titles, addresses and telephone numbers.

4. Profile of the Organization, Technical Qualifications and Approach

- a. Provide a description of firm or firms proposed to perform the audit(s). State the size of the firm, the size of the firm's governmental audit staff, and the location of the office from which the work on this engagement is to be performed.
- b. Indicate the number of personnel (by level) located within the proposing office that will perform the audit.
- c. The firm is required to submit a copy of the report on its most recent

external quality control review, with a statement whether the quality control review included a review of specific government engagements.

- d. Describe the range of activities performed by the proposing office, such as audits, accounting, tax services or management services.
- e. Provide a list of current and prior government, council of governments and joint powers authority, transit operator and TDA audit clients, including telephone number and contact person's name, indicating the types of services performed and the number of years served.
- f. Describe your approach to the audit. This should include at least the following points:
 - (1) Type of audit program used.
 - (2) Use of statistical sampling.
 - (3) Use of computer audit specialists.
 - (4) Organization of the audit team and the proposed number of hours to be assigned to each proposed segment of the engagement.
 - (5) Types of assistance expected from Agency staff.
 - (6) Approach to be taken to gain and document an understanding of the agency and its functions. Preliminary work may begin upon engagement approval.

5. Summary of Individual Audit Staff Technical Qualifications

Identify the partners, managers and supervisors who will participate in the audit, including staff other than from the proposing office. Include resumes for each supervisory person to be assigned to the audit. Identify the percentage of time key members will work on the audit. Be sure to include information on the government auditing experience of each person, including any relevant continuing professional education and/or membership in professional organizations as they pertain to this audit.

6. Local Presence Report

A report providing specific information regarding the firm's local operation will be required. Please refer to Appendix A, Contracting and Procurement Policy, #11000, Section 7.C Local Preference Policy.

7. Fee Proposal

The fee proposal shall contain cost information for each area of audit work as defined in Section V and shall include the method by which the annual fees will be increased (i.e. CPI) during the three year engagement.

8. Payment

Invoices may be submitted on a progress basis, according the hours of work completed during the course of the engagement. Ten percent (10%) will be withheld from each billing pending delivery of the firm's final reports.

VII. Award of Contract

The Authority reserves the right to reject any and all proposals or to appoint one or more advisors. Award of the contract will be made to the firm, in the sole opinion of the Authority which will provide the best service, and best meets the needs of the Authority.

The Authority is under no obligation to accept the lowest bidder. The Authority reserves the right to further negotiate services and costs which are proposed.

The terms and conditions of the work shall be set forth in a final Professional Services Contract to be negotiated. The engagement shall be for three years with two options for an additional year.

VIII. Appendix

C. Local Preference Policy

1. The term "local" shall apply only to San Bernardino County until or unless an agreement with Riverside County Transportation Commission and/or other Riverside County agencies can be executed to define "local" as relating to the greater Inland Empire (both Riverside and San Bernardino Counties).

2. The purpose of this policy is to encourage firms to locate and remain in San Bernardino County and to promote economic development in San Bernardino County.

3. It is the policy of SANBAG to utilize the services of local consultants/firms to provide consulting services. SANBAG will award up to a 10 percent credit to local consultants/firms submitting Statements of Qualifications for professional services and consulting work. This policy shall not apply to contracts required under state law to be awarded on the basis of competitive bid.

4. This policy shall not retroactively apply to any existing contracts.

5. Firms shall be defined as follows:

A. Local. A firm shall be considered local and be awarded full 10 percent local preference credit, if the firm's main, or headquarters, or major regional office is in San Bernardino County. For this policy, a major regional office is defined as a business location apart from the headquarters which:

- Has been issued a business license, if required, and has been established and open for a minimum of six months prior to the date that the SANBAG Board or Executive Director authorizes the circulation of an RFP/RFQ for any contract it which it responds, and

- Can demonstrate on-going business activity in the field of endeavor on which they are proposing from that office during the preceding six months, and
- Has a minimum of one senior management employee and nine regular employees working full time from the San Bernardino County location.

B. Partly Local Firm. A firm headquartered elsewhere with a branch office in San Bernardino County shall be considered partly local and receive 5 percent credit when it:

- Has been issued a business license, if required, and has been established and open for a minimum of six months prior to the date that the SANBAG Board or Executive Director authorizes the circulation of an RFP/RFQ for any contract it which it responds, and
- Can demonstrate on-going business activity in the field of endeavor on which they are proposing from that office during the preceding six months, and
- One senior management employee and four regular employees work at the partly local office.

C. Non-local Firm. A firm not fulfilling all the requirements of the preceding paragraph 5B shall be awarded 2.5 percent local preference credit on a graduated basis in keeping with the extent to which those requirements are satisfied by their sub consultants (e.g., 25 percent of the work in question to be performed by local sub consultants will warrant 25 percent of the local preference credit allowable for partly local firms).

6. A "local presence report" providing specific information regarding the firm's local operation will be required as part of the Statement of Qualifications. For information purposes, all firms submitting proposals will be requested to prepare and provide a breakdown of those employees proposed to be engaged in the contracted work in the local office by county of residence.

7. Firms with no existing local office for a minimum of six months prior to the time that the SANBAG Board authorizes the circulation of the RFQ/RFP shall be awarded no local preference credit.

8. This policy shall not apply in contracts where federal funds are involved.